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CENTRAL INTELLIGENCE GROUP
INTELLIGENCE REPORT

COUNTRY Austria (Russian Zone)

DATE:

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SUBJECT Soviet Financial and Economic Affairs in Austria
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DIST. 8 August 1947

ORIGIN [redacted]

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 letter of 16 October 1973 from the
 Director of Central Intelligence to the
 Archivist of the United States.

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1. Soviet economic officials are reported to have stated that, in the event that the Austrians decide in favor of the proposed new schilling conversion, the Russians will insist that all their schillings be converted at a 1 to 1 rate, that is, at full face value. If the Austrian Government refuses to do this, the Russians will not recognize the new schillings in their zone. The resultant economic chaos is expected to force the Austrians back into line.
2. Source believes that the Russians will not issue military currency to their troops, because the USSR would then be responsible for the money.
3. The Russian Military Bank No. 2711, located at Starhemberggasse 4, Vienna IV, is supervised and financed by Gosbank through the financial staff of Soviet headquarters in Moedling bei Wien. The Military Bank can open accounts only for firms controlled by USIVA or for new firms established by the Russians, such as Yuzhtrans. All firms controlled or established by the Russians are required to maintain their accounts in the Military Bank.
4. The Military Bank will be used in Austria only for the duration of the occupation. The present capital assets total about 800,000,000 schillings.
 [redacted] Comment: Attempts to check the above figure with other local agencies have been unsuccessful.)
5. The original Soviet plans called for establishing a bank under Austrian law or taking over an existing Austrian bank to handle Soviet financial affairs after troop departures. The plans have been changed as follows: The Russian Military Bank, as well as individual Russians, are now dealing with the Laenderbank, which alone among Austrian banks has excellent relations with Russians. Source is convinced that, after the Military Bank is closed out, the Russians will carry on financial transactions through the Laenderbank.
6. Source reports that USIVA is carrying on an active correspondence with foreign firms, principally in Switzerland. USIVA has established an account with the Bankverein, Zurich. Source believes that transactions are computed on a dollar basis and then paid by Switzerland after conversion into francs.
7. Yuzhtrans has been designated by Moscow to handle all forwarding of goods for USIVA and for the military authorities in Austria. However, forwarding from private firms to USIVA may be handled by private firms. Yuzhtrans has

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Document No. 008
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DDA Memo, 4 Apr 77

Auth: DDA REG. 7/17 Approved For Release 2003/10/23 : CIA-RDP82-00457R000800280008-9

Date: 13 APR 1978 By: 016

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data on all business agreements and forwarding carried out by USIVA and the Russian authorities in Austria.

8. In January 1947, Moscow ordered that not more than 30% of the total production of any USIVA controlled industry could be released to the Austrian economy. This order was transmitted in February 1947 by Bobyr, former head of the Light Industry Division of USIVA.
9. Source states that there exists considerable disagreement on economic matters between USIVA chiefs Borisov and Dikhomirov on the one hand and Kulagin on the other. Kulagin is interested in establishing good relations between the Soviet occupation forces and the Austrian Government, while USIVA officials have almost no regard for Austrian needs. Kulagin has investigated black market operations, has reported his findings to Moscow, and has attempted to secure redress when the Austrian position was proved justified. Since USIVA works under Moscow directives, it has refused to follow Kulagin's suggestions for the most part. [redacted] Comment: The above confusing situation is deliberately created at Moscow level, since Moscow does not trust its representative on economic matters and is thus assured of receiving a double check on its local representatives in Austria).

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